

Adjustments correct member records

Adjustments are used to correct PERSI's member records when:

- 1) contributions were withheld from a member's pay in error ("ineligible contributions"), or
- 2) contributions were not withheld from a member's pay when they should have been.

The design of your payroll system will define how adjustments are entered. The pay amounts, hours, and contributions, tied to the correct reporting period, must be transmitted to PERSI. Your system already has most of the correct pay data (only the contributions are being corrected); thus, there will be a difference in what is processed through the payroll system and what is sent to PERSI.

Examples: Sue, a long-time employee and PERSI member, cut back to 15 hours per week on 10/2/00. She was paid \$225.00 a week for the period 10/2/00 to 10/22/00 (three pay cycles), before her employer realized that contributions should have stopped effective 10/2/00. When the error was found, her employer paid back the "ineligible contributions" in Sue's next check as a lump sum. That refund to Sue, by itself, is of no value to PERSI, because it isn't tied to any pay period(s) and we can't determine its significance. Instead, PERSI needs an adjustment record for each of the three pay cycles, backing out the salary, hours, and contribution amounts

that were erroneously reported. That is, they should be mirror images of the original reports, except that the salary, hours, and contributions should be negative.

Jack was paid \$1500.00 every two weeks for the period 9/2/00 to 11/10/00 (five pay cycles) by his employer, but no contributions were withheld because the employer hired Jack as a short-term "temp." However, Jack worked out well, and the employer decided to keep him permanently. Therefore, contributions for the initial five cycles ending 11/10/00 are required. From the employer's point of view, the contributions cannot be generated from the normal payroll process, because Jack has already been paid. They must be taken separately from the normal PERSI deduction. PERSI needs to see each of the five pay cycles, with the salary and matching contribution amounts, as they would have been reported if the employer had taken the deductions from the beginning. The contributions can be taken and reported in two ways:

- 1) as a lump-sum amount, not reported to PERSI – the five correcting entries should not have the "accounts receivable" flag set, or
- 2) in installments, reported as "remittances" as they are taken – the five correcting entries should have the "accounts receivable" flag set.

2001 interest rates

Interest Paid to Members

Beginning January 1, 2001, the interest rate credited to PERSI BasePlan accounts will be 12.86%.

As you may recall, last year the Retirement Board approved changing the Regular Interest Rate credited to member accounts to an amount equal to PERSI's net investment return rate. The rate for each calendar year is based on the annual net rate of return at the end of the previous fiscal year (June 30). The interest rate will change January 1 of each year based on investment performance for the fiscal year ending the previous June 30. For calendar year 2000, the Regular Interest Rate paid to members was 11.11%.

If the investment return is less than the average of quarter-ending rates for 90-day Treasury Bills for the year, interest will be at least equal to that T-bill average.

Interest Paid for Buybacks

Effective January 1, 2001, interest on repayments to PERSI for Separation Benefits, Waiting Periods or Delinquent Contributions will be 9.58%. This rate is equal to the Prime Rate plus 1%. The interest rate will change each year (determined as of June 30 the previous year, however, once a member begins making payments, they are locked in at the payment rate they started at.

Frequently Asked Questions from Employer Meetings

Q: How will PERSI determine if there will be gain sharing?

A: PERSI's fiscal year ends June 30. That date will be used to determine PERSI's funding level for that year. Each fall the PERSI board will determine, based on the funding level, if there will be gain sharing for the year. Their decision will take several factors into account: How much did PERSI's investments earn during the year? Is there enough funding to absorb any possible, sudden, unexpected drop in the stock market? How is the economic outlook for the coming year? Were there any legislative changes to the plan during the year that affect funding? The Board is motivated to grant gain sharing whenever possible, but as fiduciaries responsible for ensuring the stability of the fund, they have the authority to withhold gain sharing in any year they determine it is not prudent to make distributions.

Q: When will I get my money?

A: Gain sharing may or may not occur every year, as discussed in the last question. If gain sharing payments are to be made for a given year, payments will be made next January. For example, in October of 2000 the Board determined that Fiscal Year 2000 funding levels were sufficient to allow for gain sharing in the amount of \$155.4 million. Distributions will be made February 1, 2001.

Q: How will I receive my money?

A: PERSI will set up individual gain sharing *Defined Contribution (DC) Choice* accounts within the PERSI trust for each eligible member. You will have two PERSI accounts: your PERSI *Defined Benefit (DB) Base* account, and your new *Choice* account. Your PERSI *Base* account will continue to build and earn interest like it always has. This account will be for your regular PERSI

retirement.

Your new *Choice* account will contain your gain sharing payments. You will also be able to make voluntary contributions to this account. You will be able to direct how these funds are invested yourself from several investment options that will be available to you. More information on this will be made available as plan options are determined.

Q: How much will I get?

A: Gain sharing amounts will be based on the amount in your PERSI *Base* account. Payments may range from a few hundred to several thousand dollars per person. The IRS requires us to limit payments to a maximum of 25% of your gross salary or \$30,000, whichever is lower.

Q: I'm retiring this year. How will gain sharing work for me?

A: If you are active on June 30 and retire after that, you will be eligible for gain sharing, if any is paid, as an active member that year. The next year you would be a retiree on June 30 so you would receive the allocation (if any) under the retiree process.

Q: I'm a teacher retiring this year. How will gain sharing work for me?

A: Most teachers retire September 1. If you are active on June 30, and retire September 1, you would get gain sharing (if any) under the active member allocation as of the next January.

Q: What if I am an active member as of June 30, but then quit and withdraw my money?

A: Gain sharing payments will be made the January following June 30. If you withdraw your PERSI money before the January payout, you cease being a member and therefore will NOT receive

gain sharing.

Q: What if I am active as of June 30, quit, but leave my money in PERSI?

A: If you were active and eligible for gain sharing as of June 30, quit and leave your money in PERSI, you will receive a gain sharing deposit (if any) in January.

Q: I am an inactive member. Do I get any gain sharing?

A: No, you must be an active PERSI member on June 30 with 12 months of service to receive gain sharing.

Q: Will I be able to withdraw my gain sharing money?

A: No, you cannot take your money unless you quit work or retire.

Q: Can I take a loan from my gain sharing account?

A: Not initially, but maybe later.

Q: Can I put my gain sharing money into my PERSI account to improve my retirement benefit?

A: No. You may not add your gain sharing funds to your PERSI *Base* account. Even if you could, it would not increase your *Base* retirement benefit because it is not based on your account balance. It is based on your years of services, salary and age. When you retire, you may use your *Choice* funds to purchase service or to supplement your income.

Q: When can I start voluntary contributions and what are my investment choices?

A: We anticipate starting voluntary contributions later this Spring. Investment options have not been determined yet.

Q: How can I find out more?

A: www.persi.state.id.us/Choice.htm